

Message Text

UNCLASSIFIED

PAGE 01 BUENOS 04080 01 OF 02 042043Z

63

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 DRC-01 /097 W

----- 014933

P R 041817Z JUN 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 6741

INFO USDOC WASHDC

UNCLAS SECTION 1 OF 2 BUENOS AIRES 4080

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, BEXP, AR

SUBJECT: SOMISA CALL FOR BIDS FOR SLABBING AND WIDE

PLATE MILLS

REF: DAUGHTY/WILLIAMS/JONES TELECON; BA-143, MAY 2, 1974

1. ON MAY 14, EMBASSY RECEIVED LETTER FROM GENERAL MAGLIO, PRESIDENT OF SOMISA, REQUESTING THAT "APPROPRIATE U.S. AUTHORITIES" BE MADE AWARE OF CONTENTS OF ENCLOSURE TO LETTER, WHICH IS A SUMMARY OF FINANCIAL SPECIFICATIONS RELATED TO SOMISA BID CONTEST NO.26727 FOR A SLABBING AND A WIDE PLATE MILL. IN PART BECAUSE OF VAGUE WORKING OF LETTER, AND IN PART BECAUSE OF TRADITION OF DIRECT CONTACTS BETWEEN EXIMBANK AND SOMISA, EMBASSY ASSUMED LETTER MERELY FOR INFORMATION PURPOSE AND HAD PREPARED TRANSLATION WHICH WAS TO BE SUBMITTED TO EXIMBANK UNDER COVER OF AIRGRAM. A CHECK WITH OFFICE OF SOMISA FINANCIAL DIRECTOR CONFIRMED THIS IMPRESSION.

2. AFTER REFERENCED TELCON, WE BELIEVE LETTER MAY HAVE BEEN INTENDED AS FORMAL REQUEST FOR EXIMBANK FINANCING.

UNCLASSIFIED

PAGE 02 BUENOS 04080 01 OF 02 042043Z

COMMERCIAL ATTACHE HAS REQUESTED APPOINTMENT WITH MAGLIO

TO CONFIRM THIS AND TO BRIEF MAGLIO AND HIS NEW TEAM ON EXIMBANK PROGRAMS AND PROCEDURES. WILL ADVISE.

3. MEANWHILE, EMBASSY BELIEVES IT WILL BE USEFUL FOR EXIMBANK TO HAVE SUMMARY OF FINANCIAL SPECIFICATIONS WHICH FOLLOW (WE UNDERSTAND EXIM HAS COPY OF LETTER): QUOTE."BUENOS AIRES, MARCH 8, 1974

REF: PLAN 4,000,000 TONS.

SLABBING AND WIDE PLATE ROLLING MILLS.

MECHANICAL & ELECTRICAL EQUIPMENT.

TENDER NO.26727.

BID DEADLINE: 24-4-74 (10:00 AM) (DATE SUPERSEDED)

IN ORDER TO ESTABLISH FINANCING CONDITIONS FOR THE TENDER REFERRED TO ABOVE, WHOSE TECHNICAL SPECIFICATIONS ARE REGISTERED UNDER NO.-ED-1-1500 WHICH WE SENT YOU UNDER SEPARATE COVER, WE GIVE HEREUNDER THE NORMS WHICH SHOULD BE OBSERVED WHEN YOU CONSIDER YOUR BEST OFFER:

1. TERMS FOR PAYMENT OF PRINCIPAL: WITH REFERENCE TO THE TOTAL PRICE QUOTED (FOR LOCAL AS WELL AS FOR IMPORTED GOODS), PLEASE INDICATE THE PERCENTAGES OF PRINCIPAL TO BE PAID AT THE FOLLOWING TIMES:

- 1) WHEN SIGNING THE PURCHASE CONTRACT.
- 2) ON DELIVERY OF THE EQUIPMENT.
- 3) IN DEFERRED QUOTAS, ALSO INDICATING WHEN THESE FALL DUE.

WITH REFERENCE TO POINT 3), WE WISH TO INFORM YOU THAT PAYMENT OF THE FIRST INSTALLMENT SHALL BE MADE 20 MONTHS AFTER COMPLETING DELIVERY OF ALL THE EQUIPMENT AND MATERIALS, OR 48 MONTHS AFTER SINGING THE PURCHASE CONTRACT. IT SHOULD BE CLEAR THAT BOTH PERIODS OF TIME SHOULD COVER - AMPLY - THE FOLLOWING PERIODS OF DEVELOPMENT OUTLINED IN THE CHARTS CONTAINED IN CHAPTER V OF SPECIFICATIONS ED-1-5000:
A) THE TIME FOR COMPLETION OF DELIVERY OF THE EQUIPMENT, MATERIALS AND SERVICES ON THE PART OF THE SUPPLIER;
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BUENOS 04080 01 OF 02 042043Z

- B) THE TOTAL ASSEMBLY;
- C) START-UP OF THE MILLS AND PRODUCTION OF THE FIRST SLAB AND THE FIRST WIDE PLATE;
- D) GRACE PERIOD GRANTED BY INTERNATIONAL FINANCING AFTER START-UP, FOR PAYMENT OF THE FIRST DEFERRED PAYMENT OF PRINCIPAL AND INTEREST.

2. TOTAL FINANCIAL COVERAGE & INTEREST RATE: IN ADDITION TO

INDICATING THE FINANCING OFFERED BY THE SUPPLIER, COVERING THE PERCENTAGES OF THE TOTAL PRICE QUOTED REFERRED TO IN POINT 1 - TERMS FOR PAYMENT OF PRINCIPAL, MENTIONED ABOVE - THE OFFERS SHOULD INDICATE THE LOCAL COST FINANCING WHICH MAY BE OFFERED FOR ERECTION WORK AND LOCAL SUPPLIES PROVIDED BY SOMISA.

IN ALL CASES
THE RATES OF INTEREST SHOULD BE GIVEN AS WELL AS
ANY OTHER FINANCIAL
TERMS CONSIDERED NECESSARY
IT SHOULD BE NOTED THAT THE SUPPLIES,
EQUIPMENT AND SERVICES OF ARGENTINE ORIGIN PROVIDED BY THE SUPPLIER, WHICH ARE NOT FINANCED BY THE SUPPLIER, SHALL BE PAID BY SOMISA AFTER DELIVERY, 30 DAYS AFTER THE DATE OF THE PRESENTATION OF THE RESPECTIVE INVOICES OR MONTHLY CERTIFICATES DULY APPROVED.

3. GUIDELINES ON AMORTIZATION PERIODS AND FINANCING TERMS:
WE WISH TO MAKE CLEAR THAT THE AMORTIZATION PERIOD SET OUT IN THIS NOTE IS FOR ORIENTATION PURPOSES,
AND BASED ON NORMAL INTERNATIONAL PRACTICE;
FINANCING TERMS HEREIN OUTLINED ARE ALSO FOR PURPOSES OF ORIENTATION. THEREFORE, THE SUPPLIERS WHO ARE REQUESTED TO GIVE THEIR MAXIMUM AND BEST POSSIBLE FINANCING MAY LOGICALLY OFFER THE CONDITIONS AND FINANCING METHODS WHICH PREVAIL IN THEIR RESPECTIVE COUNTRIES OF ORIGIN.

4. GUARANTEE OF REPAYMENT OF LOAN: THE NATIONAL DEVELOPMENT BANK SHALL GUARANTEE THE PAYMENT OF SOMISA'S COMMITMENTS IN THIS PROJECT.

5. PROGRAM FOR DELIVERIES OF EQUIPMENT, MATERIALS AND UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BUENOS 04080 01 OF 02 042043Z

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UNCLASSIFIED

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UNCLASSIFIED

PAGE 01 BUENOS 04080 02 OF 02 042053Z

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INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 FRB-02 INR-10

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 6742

INFO USDOC WASHDC

UNCLAS SECTION 2 OF 2 BUENOS AIRES 4080

PASS EXIMBANK

SERVICE: THE SUPPLIER SHALL PRESENT AND ESTIMATED PROGRAM OF THE SAID DELIVERIES. THIS PROGRAM SHALL BE BROKEN DOWN ACCORDING TO THE ITEMS SET FORTH IN CHAPTER II-D OF TECHNICAL SPECIFICATIONS ED-1-5000 INDICATING FOR EACH ITEM: DATE OF DELIVERY, GROSS TONNAGE AND RESPECTIVE GROSS PRICE INCLUDED IN EACH DELIVERY.

6. METHOD OF ECONOMIC AND FINANCIAL ANALYSIS OF EACH OFFER:

EACH OFFER RECEIVED SHALL BE

EVALUATED IN THE FOLLOWING WAY:

A) THE DATES OF COMPLETION OF DELIVERY OF EQUIPMENT AND MATERIALS OF EACH OF THE ROLLING MILLS SHALL BE TAKEN AS THE BASIS OF EVALUATION; UNDOUBTEDLY, THESE SHOULD COMPLY WITH ALL THE TECHNICAL REQUIREMENTS ESTABLISHED IN SPECIFICATIONS ED-1-5000. WE POINT OUT THAT FOR THE EVALUATION OF THE PAYMENTS MENTIONED IN POINT B) HEREUNDER, TO BE MADE ON DELIVERY OF THE EQUIPMENT AND MATERIALS, AS WELL AS FOR THE EVALUATION OF INTEREST CHARGES THAT THE BIDDER MAY REQUIRE ON BALANCE OF PROGRAMMED DELIVERIES, OUR COMPANY WILL USE A MODEL OF ESTIMATED DELIVERIES, WHICH SHALL BE OBTAINED BY AVERAGING ALL UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BUENOS 04080 02 OF 02 042053Z

ESTIMATED PROGRAMS OF DELIVERY SUBMITTED BY THE BIDDERS AS REQUESTED IN POINT 5.

B) ALL PAYMENTS, WHETHER THEY BE ADVANCES OR NOT, ON DELIVERY OF EQUIPMENT AND MATERIALS, ETC. REQUESTED BY THE SUPPLIER IN LIEU OF PRINCIPAL, INTERESTS, COMMISSIONS, ETC., PRIOR TO THE DATES OF FINISHING DELIVERY FOR EACH ONE OF THE ROLLING MILLS, SHALL BE ASSIGNED AN AVERAGE THEORETICAL RATE OF INTEREST

USED IN THE INTERNATIONAL MRKET, FROM THE DATE OF EACH PAYMENT UNTIL FINAL DELIVERY. C) ALL DEFERRED PAYMENTS FOR PRINCIPAL, INTEREST, ETC., CORRESPONDING TO EACH ROLLING MILL WHICH ARE MADE AFTER THE DATE OF FINAL DELIVERY OF EACH ROLLING MILL, SHALL BE DISCOUNTED TO THAT DATE BY MEANS OF THE APPLICATION OF THE FORMULA OF PRESENT VALUE, TO BE OBTAINED BY USE OF A THEORETICAL AVERAGE DISCOUNT RATE BASED ON INTERNATIONAL MARKET RATES.

D) THE SUM OF ALL PAYMENTS INDICATED UNDER B) PLUS THE THEORETICAL INTEREST RATES, PLUS PAYMENTS CALCULATED AS PER PARA. C), WILL BE THE BASIS ON WHICH EVALUATION OF OFFERS IS CALCULATED; CONCURRENTLY, THE SMALLER THE TOTAL PRIOR TO THE DATE OF FINAL DELIVERY OF EQUIPMENT AND MATERIALS FOR EACH ROLLING MILL, AND THE LONGER THE PERIOD OF AMORTIZATION GIVEN AFTER THE DATE OF THE SAID FINAL DELIVERY, THE MORE FAVORABLE THE FINANCIAL CONDITIONS SHALL BE CONSIDERED, APART FROM THEIR EFFECT ON THE EVALUATION FORMULA.

7. PRIORITY FOR DELIVERY OF THE EQUIPMENT, AND MATERIALS CORRESPONDING TO THE SLABBING MILL. AS REQUESTED IN CHAPTER V OF SPECIFICATIONS ED-1-5000, PRIORITY SHOULD BE GIVEN TO THE DELIVERY OF THE SAID EQUIPMENT AND MATERIALS, AND THE SHORTER THE PERIOD OF DELIVERY THE MORE IT WILL INFLUENCE FAVORABLY THE CONSIDERATION OF OFFERS, APART FROM ITS EFFECT ON THE ECONOMIC AND FINANCIAL EVALUATION.

8. EXPLANATIONS OR CONSULTATIONS ON POINTS CONTAINED IN THIS NOTE AND OTHER SUGGESTIONS: WE ARE AT YOUR UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BUENOS 04080 02 OF 02 042053Z

DISPOAL FOR ANY EXPLANATIONS OR CONSULTATIONS, AS ALL THE FOREGOING IS FOR ORIENTATION PURPOSES SINCE IT IS OBVIOUS THAT THE FINAL DECISION IS DEPENDENT ON THE BEST AND MAXIMUM CONDITIONS THAT THE SUPPLIERS CAN OFFER ACCORDING TO THE REGULATIONS OF EACH COUNTRY OF ORIGIN.

YOURS SINCERELY,

SOMISA". UNQUOTE.

9. BIDS ARE DUE ON JUNE 26, 1974 AT 10:00 AM.
MONTLLOR

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